



OFFICE OF CONGRESSWOMAN CHELLIE PINGREE

American Recovery and Reinvestment Act Resource Guide For Individuals, Families and Small Businesses



Prepared by the Office of Congresswoman Chellie Pingree
Representing Maine's First Congressional District

www.pingree.house.gov

To track how funding is being spent, please visit www.recovery.gov

United States House of Representatives
57 Exchange Street, Suite 302 • Portland, ME 04101 • 207-774-5019
1037 Longworth House Office Building • Washington, DC 20515 • 202-225-6116

Dear Friend,

In February 2009, Congress passed the American Reinvestment and Recovery Act, a nationwide effort to create jobs and transform many parts of the nation's economy. This economic stimulus package will invest over \$900 million dollars to revitalize the Maine economy, and will create or save over 15,000 in the state over the next two years.

Much of the resources will come back to the state, towns, and families through existing programs - local schools, unemployment insurance, transportation infrastructure projects, energy efficiency, payments to Social Security beneficiaries and veterans, Medicaid and SCHIP health care, Economic Development Administration, and more.

The Act also creates competitive grant processes to help businesses in several targeted areas- energy, housing, and small business loans. In addition, individuals and businesses are eligible for new or expanded tax credits.

I have appointed Jackie Potter to serve as the Economic Recovery Czar to help Mainers with all issues related to the Recovery Act. If you have any questions, please do not hesitate to contact her in our Portland office at 207-774-5019.

The information below has been compiled about the programs and grants being funded as the information has become available from President Obama's Administration.

All the best,

A handwritten signature in black ink, appearing to read 'Chellie', followed by a long horizontal flourish.

Chellie Pingree
Member of Congress

Table of Contents

Help for Individuals and Families

| | |
|---|---|
| Alternative Minimum Tax | 5 |
| Child Tax Credit..... | 5 |
| COBRA Premium Reduction..... | 5 |
| College Tax Credit (“American Opportunity Tax Credit”)..... | 6 |
| Computers as Qualified Education Expenses in 529 Education Plan..... | 6 |
| Economic Recovery Payment to Recipients of Social Security, Railroad Retirement and Veterans Disability Compensation Benefits..... | 6 |
| Employee Benefits: Making Work Pay..... | 6 |
| Extension of Emergency Unemployment Compensation..... | 7 |
| Food Stamps..... | 7 |
| Increase in Earned Income Tax Credit..... | 7 |
| Increase in Unemployment Compensation Benefits..... | 7 |
| Low Income Housing Grants in Lieu of Tax Credits..... | 7 |
| Plug-In Electric Drive Vehicle Credit..... | 8 |
| Refundable Credit for Certain Federal and State Pensioners..... | 8 |
| Refundable First-Time Home Buyer Tax Credit..... | 8 |
| Sales Tax Deduction for Vehicle Purchases..... | 9 |
| Tax Credits for Energy-Efficient Improvements to Existing Homes..... | 9 |
| Temporary Suspension of Taxation of Unemployment Benefits..... | 9 |

Funding for Small Business Development and Small Business Tax Relief

| | |
|--|----|
| 5-Year Carryback of Net Operating Losses for Small Businesses..... | 10 |
| Addition of Permanent Sequestration Requirement to CO2 Capture Tax Credit..... | 10 |
| Advanced Energy Investment Credit..... | 10 |
| Clean Renewable Energy Bonds (“CREBs”)..... | 10 |
| Delay Application of Withholding Requirement on Certain Governmental Payments for Goods and Services..... | 11 |
| Delayed Recognition of Certain Cancellation of Debt Income..... | 11 |
| Duty Refund Recollection..... | 11 |
| Eliminate Costs Imposed on State and Local Governments by the Alternative Minimum Tax..... | 11 |
| Expansion of Trade Adjustment Assistance (TAA) Programs..... | 12 |
| Extension of Bonus Depreciation..... | 12 |
| Extension of Small Business Expensing..... | 12 |
| Extension and Increase in Authorization for Qualified Zone Academy Bonds..... | 13 |
| Incentives to Hire Unemployed Veterans and Disconnected Youth..... | 13 |
| Long-term Extension and Modification of Renewable Energy Production Tax Credits..... | 13 |
| Modify Speed Requirement for High-Speed Rail Exempt Facility Bonds..... | 13 |
| New Market Tax Credits..... | 14 |
| Parity for Transit Benefits..... | 14 |
| Qualified Energy Conservation Bonds..... | 14 |

| | |
|---|----|
| Qualified School Construction Bonds..... | 14 |
| Removal of Dollar Limitations on Certain Energy Credits..... | 15 |
| Repeal Subsidized Energy Financing Limitation on the Investment Tax Credit..... | 15 |
| Small Business Capital Gains..... | 15 |
| Tax Credit Bond Option for State and Local Governments (“Build America Bonds”)..... | 15 |
| Tax Credits for Alternative Refueling Property..... | 16 |
| Temporary Assistance to States with Advances to Unemployment Trust Funds..... | 16 |
| Temporary Election to Claim the Investment Tax Credit in Lieu of the Production Tax Credit..... | 16 |
| Temporary Reduction of Small Business Corporation Built-In Gains Holding Period from 10 Years 7 Years..... | 17 |
| Treasury Department Energy Grants in Lieu of Tax Credits..... | 17 |
| Unemployment Compensation Modernization..... | 17 |

Help for Individuals and Families

Alternative Minimum Tax

This provision would provide more than 26 million families with tax relief in 2009 by extending AMT relief for nonrefundable personal credits and increasing the AMT exemption amount to \$70,950 for joint filers and \$46,700 for individuals.

How to Apply: This benefit will automatically go into effect without any action from the taxpayer.

Child Tax Credit

A child tax credit is a tax credit based on the number of dependent children in a family. The Recovery Act expands the eligibility for the refundable child tax credit in 2009 and 2010 – under prior law, taxpayers with dependent children under age 17 needed at least \$8,500 in income to benefit from the credit. The Act lowers that income threshold to \$3,000.

How to Apply: The provision is effective for taxable years beginning after December 31, 2008. Families may claim the expanded child tax credit when they file their 2009 tax returns in 2010 (and when they file their 2010 tax returns in 2011). The 2009 and 2010 tax forms will reflect this expansion of the child tax credit. For more information, visit www.irs.gov.

COBRA Premium Reduction

The Recovery Act provides a 65 percent federal subsidy for COBRA premiums for up to 9 months for people who were involuntarily terminated from their jobs between September 1, 2008 and December 31, 2009. This 65 percent subsidy is designed to make health care continuation coverage under COBRA affordable. It is estimated that this provision will help 7 million people obtain health care coverage.

Any worker now being involuntarily terminated from their job should be receiving information directly from their employer about the COBRA premium reduction they are entitled to, if their employer is covered by COBRA. If this does not occur, the individual should contact their employer. Also, if an individual has been terminated in recent weeks and was not told of the COBRA premium reduction, they should contact their former employer.

Furthermore, if an individual was involuntarily terminated from September 1, 2008 through February 16, 2009, but failed to initially elect COBRA, he/she will get a second chance to elect COBRA and receive the premium reduction. No later than April 18, 2009, health plans should notify individuals about the second election period, in addition to providing any forms and information needed to enroll. If an individual has not been notified by April 18, they should contact their former employer.

For more information, go to: <http://www.dol.gov/COBRA>.

College Tax Credit (“American Opportunity Tax Credit”)

The Recovery Act replaces the Hope Scholarship credit (up to \$1,800) with a new credit – the American Opportunity Tax Credit. The new \$2,500 American Opportunity Tax Credit is available for both this year and in 2010. The credit covers up to the first \$2,000 in eligible expenses for attending college, such as tuition, fees and books, and then 25 percent of the next \$2,000 in eligible expenses.

The new credit also is 40 percent refundable, which means taxpayers who have little or no tax liability will still benefit from the credit. In addition, the income limits for the new credit are higher, phasing out for incomes above \$80,000 for individuals and \$160,000 for couples filing jointly, up from \$50,000 and \$100,000 under the Hope credit.

How to Apply: Families may claim the American Opportunity Tax Credit when they file their 2009 tax returns in 2010 (and when they file their 2010 tax returns in 2011).

Computers as Qualified Education Expenses in 529 Education Plans

Section 529 Education Plans are tax-advantaged savings plans that cover all qualified higher education expenses, including tuition, room and board, mandatory fees and books. The Recovery Act provides that, for 2009 and 2010, the purchase of computers and other computer equipment, as well as to payments for Internet access, will qualify as qualified higher education expenses.

How to Apply: Families that use 529 Education Plans will now be able to withdraw funds from the 529 account, tax free, to go toward to purchase of computers or computer technology. For more information, visit Ohio’s 529 Plan website <http://www.collegeadvantage.com/index.aspx>.

Economic Recovery Payment to Recipients of Social Security, Railroad Retirement and Veterans Disability Compensation Benefits

This provision would provide a one-time payment of \$250 to retirees, disabled individuals and SSI recipients receiving benefits from the Social Security Administration, Railroad Retirement beneficiaries, and disabled veterans receiving benefits from the U.S. Department of Veterans Affairs. The one-time payment is a reduction to any allowable Making Work Pay credit.

How to Apply: For more information, please visit www.irs.gov or www.treasury.gov.

Employee Benefits: “Making Work Pay” Tax Credit

Making Work Pay Tax Credit provides immediate and sustained relief to about 95 percent of American workers and their families. This is a refundable tax credit of up to \$400 per worker and \$800 per couple filing jointly, phasing out completely at \$190,000 for couples filing jointly and \$95,000 for single filers. The tax credit is in effect for 2009 and 2010.

How to Apply: These tax cuts are being distributed to 110 million working families generally by reducing tax withholding from workers’ paychecks by April 1st. Hence, most workers do not have to take any action to begin receiving this tax credit, as their employer will simply reduce their tax withholding. Workers who do not receive the benefit of this refundable credit through reduced withholding in their paychecks may claim the credit when they file their 2009 tax return

in 2010 and their 2010 tax return in 2011. Taxpayers may consult with their employer and visit www.irs.gov for more information.

Extension of Emergency Unemployment Compensation

Through December 31, 2009, this provision continues the Emergency Unemployment Compensation program, which provides up to 33 weeks of extended unemployment benefits to workers exhausting their regular benefits.

How to Apply: Those receiving unemployment compensation will automatically receive this extension.

Food Stamps

The Recovery Act provides \$19.9 billion to increase monthly food stamp benefits by 13.6 percent, or roughly \$80 per family per month, to help offset rising food costs for more than 31 million Americans, half of whom are children. On March 9, Secretary of Agriculture Tom Vilsack announced that this 13.6 percent increase in monthly food stamp benefits would begin to be provided to recipients on April 1st.

For more information, go to:

http://www.usda.gov/wps/portal/!ut/p/_s.7_0_A/7_0_1OB?contentidonly=true&contentid=2009/03/0051.xml.

Increase in Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is a tax credit for low-income working individuals and families that is refundable for certain taxpayers. This provision would temporarily increase the earned income tax credit from 40% to 45% for working families with three or more children and also reduces the marriage penalty in the EITC in 2009 and 2010. For example, the maximum credit for a qualifying family with three or more children will rise by \$629 to \$5,657.

How to Apply: Families may claim the expanded EITC when they file their 2009 tax returns in 2010 (and when they file their 2010 tax returns in 2011). The 2009 and 2010 tax forms will reflect this expansion of the EITC. For more information about the EITC, please contact www.irs.gov.

Increase in Unemployment Compensation Benefits

The bill increases unemployment weekly benefits by an additional \$25 through 2009.

How to Apply: Those receiving unemployment compensation will automatically receive this extension.

Low Incoming Housing Grants in Lieu of Tax Credits

Under current law, taxpayers are allowed to claim a low-income housing tax credit for certain investments made in low-income housing. These tax credits help attract private capital to invest in the construction, acquisition, or rehabilitation of qualified low-income housing buildings. Current economic conditions have severely undermined the effectiveness of these tax credits. As

a result, the bill would allow taxpayers to receive a grant from the Treasury Department in lieu of tax credits. Under this provision, state housing agencies would receive a grant equal to up to eighty-five percent of forty percent of the state's low-income housing tax credit allocation in lieu of the low-income housing tax credits they would have received. The sub-awards are subject to the same requirements (including rent, income, and use restrictions on such buildings) as the low-income housing tax credit allocations. The grant program would apply to each state's 2009 low-income housing tax credit allocation.

How to Apply: Qualified housing agencies can apply at www.recovery.maine.gov.

Plug-in Electric Drive Vehicle Credit

This provision modifies and increases a tax credit passed into law at the end of the last Congress for each qualified plug-in electric drive vehicle placed in service during the taxable year. The base amount of the credit is \$2,500. If the qualified vehicle draws propulsion from a battery with at least 5 kilowatt hours of capacity, the credit is increased by \$417, plus another \$417 for each kilowatt hour of battery capacity in excess of 5 kilowatt hours up to 16 kilowatt hours.

Taxpayers may claim the full amount of the allowable credit up to the end of the first calendar quarter in which the manufacturer records its 200,000th sale of a plug-in electric drive vehicle. The credit is reduced in following calendar quarters. The credit is allowed against the alternative minimum tax (AMT). This bill also restores and updates the electric vehicle credit for plug-in electric vehicles that would not otherwise qualify for the larger plug-in electric drive vehicle credit and provides a tax credit for plug-in electric drive conversion kits.

How to Apply: Participants will be able to file for the tax credit on their tax return.

Refundable Credit for Certain Federal and State Pensioners

The bill would provide a one-time refundable tax credit of \$250 in 2009 to certain government retirees who are not eligible for Social Security benefits. This one-time credit is a reduction to any allowable Making Work Pay credit.

How to Apply: For more information, please visit www.irs.gov.

Refundable First-Time Home Buyer Tax Credit

The Recovery Act enhances the first-time home buyer credit by increasing it to \$8,000 (from \$7,500) and by removing the repayment requirement. (The credit in effect in 2008 required that the tax credit be repaid over a 15-year period, effectively turning it into an interest-free loan.)

Specifically, under the Recovery Act, first-time home buyers who purchase a home between January 1, 2009 and November 30, 2009 can qualify for a tax credit of up to \$8,000, or 10 percent of the purchase price. (Home buyers will have to pay the credit back if they sell the home within three years or it stops being their principal residence during that time.) The credit starts to phase out for buyers with incomes above \$75,000 for individuals and \$150,000 for married couples.

How to Apply: Families eligible for the enhanced first-time home buyer credit who purchase homes after April 15, 2009 may receive the credit when they file their 2009 tax returns in 2010, or they may amend their 2008 returns and claim it this year.

Sales Tax Deduction for Vehicle Purchases

The provision provides all taxpayers with a deduction for state and local sales and excise taxes paid on the purchase of new cars, light truck, recreational vehicles, and motorcycles purchased after February 16, 2009 through the end of the year. This deduction is subject to a phase-out for taxpayers with an adjusted gross income in excess of \$125,000 (\$250,000 in the case of a joint return).

How to Apply: Taxpayers can seek this deduction by claiming the deduction on their 2009 tax return.

Tax Credits for Energy-Efficient Improvements to Existing Homes

This provision would extend the tax credits for improvements to energy-efficient existing homes through 2010. Under current law, individuals are allowed a tax credit equal to ten percent (10%) of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements installed during the taxable year. This tax credit is capped at \$50 for any advanced main air circulating fan, \$150 for any qualified natural gas, propane, oil furnace or hot water boiler, and \$300 for any item of energy-efficient building property. For 2009 and 2010, this provision would increase the amount of the tax credit to thirty percent (30%) of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements during the taxable year. This provision would also eliminate the property-by-property dollar caps on this tax credit and provide an aggregate \$1,500 cap on all property qualifying for the credit. This provision would update the energy-efficiency standards of the property qualifying for the credit.

How to Apply: Participants will be able to file for the tax credit on their tax return.

Temporary Suspension of Taxation of Unemployment Benefits

Under current law, all federal unemployment benefits are subject to taxation. The average unemployment benefit is approximately \$300 per month. The proposal temporarily suspends federal income tax on the first \$2,400 of unemployment benefits per recipient. Any unemployment benefits over \$2,400 will be subject to federal income tax. This proposal is in effect for taxable year 2009.

How to Apply: This provision will take effect and suspend the withholding of federal income tax on unemployment benefits automatically.

Funding for Small Business Development and Small Business Tax Relief

5-Year Carryback of Net Operating Losses for Small Businesses

A net operating loss means the amount by which a taxpayer's business deductions exceed the gross income. Under current law, net operating losses (NOL) may be carried back to the two taxable years before the year that the loss arises and carried forward to each of the succeeding twenty taxable years after the year that the loss arises. For 2008, the bill would extend the maximum NOL carryback period from two years to five years for small businesses with gross receipts of \$15 million or less.

How to Apply: This provision is effective for net operating losses arising in taxable years ending after December 31, 2007. The taxpayer can file for this benefit when filing for taxes.

Addition of Permanent Sequestration Requirement to CO2 Capture Tax Credit

Last year, Congress provided a \$10 credit per ton for the first 75 million metric tons of carbon dioxide captured and transported from an industrial source for use in enhanced oil recovery, and \$20 credit per ton for carbon dioxide captured and transported from an industrial source for permanent storage in a geologic formation. Facilities were required to capture at least 500,000 metric tons of carbon dioxide per year to qualify. This provision would require that any taxpayer claiming the \$10 credit per ton for carbon dioxide captured and transported for use in enhanced oil recovery must also ensure that such carbon dioxide is permanently stored in a geologic formation.

How to Apply: New provision does not change the way participants file for the tax credit, just the qualifications to be able to apply for the tax credit.

Advanced Energy Investment Credit

This provision establishes a new 30% investment tax credit for facilities engaged in the manufacture of advanced energy property. Credits are available only for projects certified by the Secretary of the Treasury, in consultation with the Secretary of Energy, through a competitive bidding process. The Secretary of the Treasury must establish a certification program no later than 180 days after date of enactment, and may allocate up to \$2.3 billion in credits. Advanced energy property includes technology for the production of renewable energy, energy storage, energy conservation, efficient transmission and distribution of electricity, and carbon capture and sequestration.

How to Apply: Please check www.energy.gov for more information as the Advanced Energy Investment Credit is implemented.

Clean Renewable Energy Bonds ("CREBs")

This provision authorizes an additional \$1.6 billion of new clean renewable energy bonds to finance facilities that generate electricity from the following resources: wind; closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; marine renewable; and trash combustion facilities. This \$1.6 billion authorization will be subdivided

into thirds: 1/3 will be available for qualifying projects of state/local/tribal governments; 1/3 for qualifying projects of public power providers; and 1/3 for qualifying projects of electric cooperatives.

How to Apply: Qualified participants will be able to utilize this bond program as it is developed. Check www.treasury.gov for additional information after this program is implemented.

Delay Application of Withholding Requirement on Certain Governmental Payments for Goods and Services

For payments made after December 31, 2010, the Code requires withholding at a three percent rate on certain payments to persons providing property or services made by federal, state, and local governments. The withholding is required regardless of whether the government entity making the payment is the recipient of the property or services. Numerous government entities and small businesses have raised concerns about the application of this provision. The provision would delay for one year (through December 31, 2011) the application of the three percent withholding requirement on government payments for goods and services in order to provide time for the Treasury Department to study the impact of this provision on government entities and other taxpayers.

How to Apply: This provision is effective on the date of enactment.

Delayed Recognition of Certain Cancellation of Debt Income

Under current law, a taxpayer generally has income where the taxpayer cancels or repurchases debt for an amount less than its adjusted issue price. The amount of cancellation of debt income ("CODI") is the excess of the old debt's adjusted issue price over the repurchase price. Certain businesses will be allowed to recognize CODI over 10 years (defer tax on CODI for the first four or five years and recognize this income ratably over the following five taxable years) for specified types of business debt repurchased by the business after December 31, 2008 and before January 1, 2011.

How to Apply: Business can claim this when they file for taxes. For information on qualifications, visit www.treasury.gov.

Duty Refund Recollection

This provision prohibits U.S. Customs and Border Protection (CBP) from demanding that U.S. lumber, steel, and other companies repay duties that CBP collected on Canadian and Mexican imports, and then distributed to the companies between 2001 and 2005.

How to Apply: Application not necessary as the program is implemented.

Eliminate Costs Imposed on State and Local Governments by the Alternative Minimum Tax

The alternative minimum tax (AMT) can increase the costs of issuing tax-exempt private activity bonds imposed on state and local governments. Under current law, interest on tax-exempt private activity bonds is generally subject to the AMT. This limits the marketability of these bonds and, therefore, forces state and local governments to issue these bonds at higher interest

rates. Last year, Congress excluded one category of private activity bonds (i.e., tax-exempt housing bonds) from the AMT. The bill would exclude the remaining categories of private activity bonds from the AMT if the bond is issued in 2009 or 2010. The bill also allows AMT relief for current refunding of private activity bonds issued after 2003 and refunded during 2009 and 2010.

How to Apply: Municipalities will not need to apply; this provision will automatically take effect.

Expansion of Trade Adjustment Assistance (TAA) Programs

This provision expands current Trade Adjustment Assistance Programs. Among other things, it extends TAA to trade-affected services sector workers and workers affected by off-shoring or outsourcing to all countries, including China or India. It increases training funds available to states by 160 percent to \$575 million per fiscal year, creates a new TAA program for trade-affected communities, allows for automatic TAA eligibility for workers suffering from import surges and unfair trade, makes training, healthcare and reemployment TAA benefits more accessible and flexible, and improves the TAA for Firms and TAA for Farmers programs. It reauthorizes all TAA programs (which expired December 31, 2007) through December 31, 2010.

How to Apply: TAA is administered through the Department of Labor Employment and Training Administration. For more information, visit <http://www.doleta.gov/tradeact/>.

Extension of Bonus Depreciation

Businesses are allowed to recover the cost of capital expenditures over time according to a depreciation schedule. Last year, Congress temporarily allowed businesses to recover the costs of capital expenditures made in 2008 faster than the ordinary depreciation schedule would allow by permitting these businesses to immediately write-off fifty percent of the cost of depreciable property (e.g., equipment, tractors, wind turbines, solar panels, and computers) acquired in 2008 for use in the United States. The bill would extend this temporary benefit for capital expenditures incurred in 2009.

How to Apply: The extension of the first-year depreciation deduction is generally effective for property placed in service after December 31, 2008. This benefit can be claimed when filing for taxes.

Extension of Small Business Expensing

In order to help small businesses quickly recover the cost of certain capital expenses, small business taxpayers may elect to write-off the cost of these expenses in the year of acquisition in lieu of recovering these costs over time through depreciation. Until the end of 2010, small business taxpayers are allowed to write-off up to \$125,000 of capital expenditures subject to a phase-out once capital expenditures exceed \$500,000. Last year, Congress temporarily increased the amount that small businesses could write-off for capital expenditures incurred in 2008 to \$250,000 and increased the phase-out threshold for 2008 to \$800,000. The bill would extend these temporary increases for capital expenditures incurred in 2009.

How to Apply: Small businesses can obtain this credit when filing for taxes.

Extension and Increase in Authorization for Qualified Zone Academy Bonds (QZABs)

The bill allows an additional \$1.4 billion of QZAB issuing authority to state and local governments in 2009 and 2010, which can be used to finance renovations, equipment purchases, developing course material, and training teachers and personnel at a qualified zone academy. In general, a qualified zone academy is any public school (or academic program within a public school) below college level that is located in an empowerment zone or enterprise community and is designed to cooperate with businesses to enhance the academic curriculum and increase graduation and employment rates. QZABs are a form of tax credit bonds, which offer the holder a federal tax credit instead of interest. This proposal is estimated to cost \$1.045 billion over 10 years.

How to Apply: The taxpayer holding qualified school construction bonds on a credit allowance date is entitled to a tax credit. The amount of the tax credit is determined by multiplying the bond's credit rate by the face amount on the holder's bond. The tax credit will be received when taxes are filed with the IRS. Visit <http://www.irs.gov/publications/p954/ar02.html#d0e3636>.

Incentives to Hire Unemployed Veterans and Disconnected Youth

Under current law, businesses are allowed to claim a work opportunity tax credit equal to 40 percent of the first \$6,000 of wages paid to employees of one of nine targeted groups: families receiving Temporary Assistance to Needy Families, certain veterans receiving food stamps or disability compensation, certain ex-felons, residents of designated communities, individuals in vocational rehabilitation, certain youths employed during the summer, certain food stamp recipients, certain recipients of SSI, and long-term recipients of family assistance. The bill creates two new targeted groups of prospective employees: unemployed veterans and disconnected youth. An individual would qualify as an unemployed veteran if they were discharged or released from active duty from the Armed Forces during the five-year period prior to hiring and received unemployment compensation for more than four weeks during the year before being hired. An individual qualifies as a disconnected youth if they are between the ages of 16 and 25 and have not been regularly employed or attended school in the past 6 months. This proposal is estimated to cost \$231 million over 10 years.

How to Apply: The participating business will receive the work opportunity tax credit when taxes are filed with the IRS. Visit www.irs.gov or <http://www.irs.gov/pub/irs-pdf/p954.pdf>

Long-term Extension and Modification of Renewable Energy Production Tax Credit

This proposal would extend the placed-in-service date for wind facilities for three years (through December 31, 2012). This proposal would also extend the placed-in-service date for three years (through December 31, 2013) for certain other qualifying facilities: closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; waste-to-energy; and marine renewable facilities.

How to Apply: This proposal extends existing tax credits. Information on how to file can be found at www.irs.gov.

Modify Speed Requirement for High-Speed Rail Exempt Facility Bonds

Under current law, states are allowed to issue private activity bonds for high-speed rail facilities. Under current law, a high-speed rail facility is a facility for the transportation of passengers

between metropolitan areas using vehicles that are reasonably expected to operate at speeds in excess of 150 miles per hour between scheduled stops. This provision would allow these bonds to be used to develop rail facilities that are used by trains that are capable of attaining speeds in excess of 150 miles per hour.

How to Apply: This provision adds to the definition of an existing bond. More information can be found at www.treasury.gov.

New Market Tax Credits

New Market Tax Credits are given to a qualified equity investment made to acquire stock in a corporation or a capital interest in a partnership that is a qualified community development entity (CDE). Under current law, there are \$3.5 billion of New Markets Tax Credits available for each of 2008 and 2009. The provision increases the available credits for 2008 to \$5 billion and the available credits for 2009 to \$5 billion.

How to Apply: This tax credit will go directly to state-certified CDE's.

Parity for Transit Benefits

Current law provides a tax-free fringe benefit employers can provide to employees for transit and parking. Those benefits are set at different dollar amounts. This provision would equalize the tax-free benefit employers can provide for transit and parking. The proposal sets both the parking and transit benefits at \$230 a month for 2009, indexes them equally for 2010, and clarifies that certain transit benefits apply to federal employees.

How to Apply: Eligible participants will receive information on how to apply through their workplace as this program is implemented.

Qualified Energy Conservation Bonds

This provision authorizes an additional \$2.4 billion of qualified energy conservation bonds to finance state, municipal and tribal government programs and initiatives designed to reduce greenhouse gas emissions. This provision would also clarify that qualified energy conservation bonds may be issued to make loans and grants for capital expenditures to implement green community programs. This provision also clarifies that qualified energy conservation bonds may be used for programs in which utilities provide ratepayers with energy-efficient property and recoup the costs of that property over an extended period of time.

How to Apply: Qualified participants will be able to utilize this bond program as it is developed. Check www.treasury.gov for additional information after this program is implemented.

Qualified School Construction Bonds

The bill creates a new category of tax credit bonds for the construction, rehabilitation, or repair of public school facilities or for the acquisition of land on which a public school facility will be constructed. There is a national limitation on the amount of qualified school construction bonds that may be issued by state and local governments of \$22 billion (\$11 billion allocated initially in 2009 and the remainder allocated in 2010). There is a national limitation on the amount of

qualified school construction bonds that may be issued by Indian tribal governments of \$400 million (\$200 million allocated initially in 2009 and the remainder allocated in 2010). This proposal is estimated to cost \$9.877 billion over 10 years.

How to Apply: The taxpayer holding qualified school construction bonds on a credit allowance date is entitled to a tax credit. The amount of the tax credit is determined by multiplying the bond's credit rate by the face amount on the holder's bond. The tax credit will be received when taxes are filed with the IRS. Visit www.irs.gov.

Removal of Dollar Limitations on Certain Energy Credits

Under current law, businesses are allowed to claim a thirty percent (30%) tax credit for qualified small wind energy property (capped at \$4,000). Individuals are allowed to claim a thirty percent (30%) tax credit for qualified solar water heating property (capped at \$2,000), qualified small wind energy property (capped at \$500 per kilowatt of capacity, up to \$4,000), and qualified geothermal heat pumps (capped at \$2,000). This provision would repeal the individual dollar caps. As a result, each of these properties would be eligible for an uncapped thirty percent (30%) credit.

How to Apply: Participants will be able to file for the tax credit on their tax return. For more information, visit www.irs.gov.

Repeal Subsidized Energy Financing Limitation on the Investment Tax Credit

Under current law, the investment tax credit must be reduced if the property qualifying for the investment tax credit is also financed with industrial development bonds or through any other federal, state, or local subsidized financing program. The provision in the American Recovery and Reinvestment Act would repeal this subsidized energy financing limitation on the investment tax credit in order to allow businesses and individuals to qualify for the full amount of the investment tax credit even if such property is financed with industrial development bonds or through any other subsidized energy financing.

How to Apply: Participants will find that the financing limitation for subsidized energy has been removed.

Small Business Capital Gains

This provision increases the percentage of exclusion for qualified business stock sold by an individual from 50 percent to 75 percent.

How to Apply: This provision is effective for stock issued after the date of enactment and before Jan. 1, 2011. Businesses can claim this credit when filing for taxes.

Tax Credit Bond Option for State and Local Governments ("Build America Bonds")

The federal government provides significant financial support to state and local governments through the federal tax exemption for interest on municipal bonds. Both tax credit bonds and tax-exempt bonds provide a subsidy to municipalities by reducing the cash interest payments that a state or local government must make on its debt. Tax credit bonds differ from tax-exempt bonds in two principal ways: (1) interest paid on tax credit bonds is taxable; and (2) a portion of

the interest paid on tax credit bonds takes the form of a federal tax credit. The federal tax credit offsets a portion of the cash interest payment that the state or local government would otherwise need to make on the borrowing. For 2009 and 2010, this proposal provides state and local governments with the option of issuing a tax credit bond instead of a tax-exempt governmental obligation bond. Because the market for tax credits is currently small given current economic conditions, the bill would allow the state or local government to elect to receive a direct payment from the federal government equal to the subsidy that would have otherwise been delivered through the federal tax credit for bonds.

How to Apply: Please check www.treasury.gov for more information as they implement this program.

Tax Credits for Alternative Refueling Property

The alternative refueling property credit provides a tax credit to businesses (e.g., gas stations) that install alternative fuel pumps, such as fuel pumps that dispense E85 fuel, electricity, hydrogen, and natural gas. For 2009 and 2010, this provision would increase the 30% alternative refueling property credit for businesses (capped at \$30,000) to 50% (capped at \$50,000). Hydrogen refueling pumps would remain at a 30% credit percentage; however, the cap for hydrogen refueling pumps will be increased to \$200,000. In addition, this provision would increase the 30% alternative refueling property credit for individuals (capped at \$1,000) to 50% (capped at \$2,000).

How to Apply: Participants will be able to file for this tax credit on their tax return. For more information, visit www.irs.gov.

Temporary Assistance to States with Advances to Unemployment Trust Funds

This provision temporarily waives interest payments and the accrual in interest on loans received by state unemployment trust funds through December 31, 2010.

How to Apply: Application not necessary as interest payments are waived as this program is implemented.

Temporary Election to Claim the Investment Tax Credit in Lieu of the Production Tax Credit

Under current law, facilities that produce electricity from solar facilities are eligible to take a thirty percent (30%) investment tax credit in the year that the facility is placed in service. Facilities that produce electricity from wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, waste-to-energy, and marine renewable facilities are eligible for a production tax credit. The production tax credit is payable over a ten-year period. Because of current market conditions, it is difficult for many renewable projects to find financing due to the uncertain future tax positions of potential investors in these projects. The bill would allow facilities to elect to claim the investment tax credit in lieu of the production tax credit.

How to Apply: Participants will be able to file the tax credit on their tax return. For more information, visit www.irs.gov.

Temporary Reduction of Small Business Corporation Built-In Gains Holding Period from 10 Years to 7 Years

Under current law, if a taxable corporation converts into an S corporation, the conversion is not a taxable event. An S Corporation pays no corporate level tax. Instead a loss of gain goes directly to their shareholders. When a company converts to an S corporation, they must hold its assets for ten years in order to avoid a tax on any built-in gains that existed at the time of the conversion. The bill would temporarily reduce this holding period from ten years to seven years for sales occurring in 2009 and 2010.

How to Apply: This provision will go into effect for businesses for taxable year beginning after December 31, 2008.

Treasury Department Energy Grants in Lieu of Tax Credits

Under current law, taxpayers are allowed to claim a production tax credit for electricity produced by certain renewable energy facilities and an investment tax credit for certain renewable energy property. These tax credits help attract private capital to invest in renewable energy projects. Current economic conditions have severely undermined the effectiveness of these tax credits. As a result, this provision would allow taxpayers to receive a grant from the Treasury Department in lieu of tax credits. This grant will operate similarly to the current-law investment tax credit.

How to Apply: The Treasury Department will issue a grant in an amount equal to thirty percent (30%) of the cost of the renewable energy facility within sixty days of the facility being placed in service or, if later, within sixty days of receiving an application for such grant.

Unemployment Compensation Modernization

This provision provides one-time grants to reward and encourage states enacting specific reforms designed to increase UC coverage among low-wage, part-time and other jobless workers, as well as provides an additional \$500 million in administrative funding to all states.

How to Apply: States will receive this funding to support unemployment compensation modernization.